

AMENDED IN SENATE APRIL 20, 2006

AMENDED IN SENATE MARCH 28, 2006

SENATE BILL

No. 1394

Introduced by Senator Florez

February 22, 2006

~~An act to add Section 14087.395 to the Welfare and Institutions Code, relating to Medi-Cal. An act relating to health care.~~

LEGISLATIVE COUNSEL'S DIGEST

SB 1394, as amended, Florez. ~~Medi-Cal: local initiatives.~~ *Health care: Kern Health Systems.*

Existing law, the Knox-Keene Health Care Service Plan Act of 1975, provides for the licensure and regulation of health care service plans by the Department of Managed Health Care.

This bill would require the department, by June 1, 2007, to evaluate Kern Health Systems based upon specified factors, including the adequacy of access to timely care and the adequacy of rates provided to network participants. The bill would require the department, if it identifies inadequacies in the operations of Kern Health Systems, to order a change in those operations sufficient to remedy the inadequacies.

~~Existing law provides for the Medi-Cal program, administered by the State Department of Health Services, under which qualified low-income persons are provided with health care services.~~

~~Existing law authorizes the establishment, at the county level, of a commission for the provision, or arrangement for the provision, of Medi-Cal benefits through a local initiative, which is defined as a prepaid health plan that is organized by a county government or by~~

stakeholders of a designated region and awarded a contract with the department for the provision of Medi-Cal benefits.

~~This bill would prohibit a local initiative from retaining uncommitted financial reserves at the end of its fiscal year in excess of 400% of the required minimum tangible net equity. The bill would require remaining financial reserves beyond that limitation to be used to provide Medi-Cal benefits or distributed to safety net providers, as defined.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~-yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. (a) *The Department of Managed Health Care*
2 *shall, by June 1, 2007, evaluate Kern Health Systems to*
3 *determine each of the following:*

4 (1) *The adequacy of access to timely care for enrollees.*

5 (2) *The adequacy of rates provided to current network*
6 *participants and the influence of those rates upon the long-term*
7 *viability of the network.*

8 (3) *The impact upon noncontracting providers of timely access*
9 *to care by enrollees through the network.*

10 (4) *Opportunities identified by the department for Kern Health*
11 *Systems to improve network viability and quality of care.*

12 (b) *If the department identifies inadequacies in the operations*
13 *of Kern Health Systems pursuant to subdivision (a), it shall order*
14 *a change in those operations sufficient to remedy the*
15 *inadequacies.*

16 ~~SECTION 1. It is the intent of the Legislature that local~~
17 ~~initiatives providing Medi-Cal benefits should limit the~~
18 ~~expenditure of resources on administrative costs. It is further the~~
19 ~~intent of the Legislature that local initiatives should refrain from~~
20 ~~retaining excessive tangible net equity that is not spent on health~~
21 ~~care services, and should use excess tangible net equity to expand~~
22 ~~the health care services available to low-income and underserved~~
23 ~~populations. In that regard, it is the intent of the Legislature that~~
24 ~~these resources should be devoted to providing health care~~
25 ~~services within the area served by the local initiative or for~~
26 ~~assisting the safety net provider community in providing care to~~
27 ~~the uninsured.~~

1 ~~SEC. 2. Section 14087.395 is added to the Welfare and~~
2 ~~Institutions Code, to read:~~

3 ~~14087.395. (a) Notwithstanding any other provision of law,~~
4 ~~a local initiative, as defined in subdivision (v) of Section 53810~~
5 ~~of Title 22 of the California Code of Regulations, shall not retain~~
6 ~~uncommitted financial reserves at the end of its fiscal year in~~
7 ~~excess of 400 percent of the minimum requirements applicable to~~
8 ~~the appropriate plan, based on allocations made in the annual~~
9 ~~Budget Act.~~

10 ~~(b) Uncommitted financial reserves in excess of that amount~~
11 ~~specified in subdivision (a) shall be used for health care services~~
12 ~~for Medi-Cal recipients or distributed to safety net providers, as~~
13 ~~defined in subdivision (hh) of Section 53810 of Title 22 of the~~
14 ~~California Code of Regulations.~~